

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: August 27, 2008
Request for Initial Resolution Approval

Prepared by: *Doreen Smith*

Applicant: Evergreen Oil, Inc. and/or its Affiliates	Amount Requested: \$4,095,000
Project Location: Carson (Los Angeles County)	Application No.: 00813 (SB)
	Initial Resolution No.: 08-07

Summary of Request: Evergreen Oil, Inc. and/or its Affiliates (the “Company”) requests approval of Initial Resolution No. 08-07 for an amount not to exceed \$4,095,000 to finance the acquisition of three sites in Carson.

Borrower: The Company was incorporated in California in December 1983. The Company operates a hazardous waste disposal facility combined with collection and local hauling.

Evergreen Oil, inc. is owned 100% by Evergreen Environmental holdings, Inc., a Nevada corporation, which in turn is owned by Evergreen holdings, Inc., a Delaware corporation which is 100% owned by the following:

Kinetics Holding MV	49.554%
Joanne & Jacob Voogd CRAT	48.563%
Harold Brown 2002 Trust	00.991%
Harold Brown.....	00.545%
William K. Reilly.....	00.347%
Total:	100.000%

Kinetics Holdings, NV, a Netherland Antilles corporation, is owned by the following five individuals (20% each):

Mr. W. van Weenen	Mr. D.G. Kalverkamp	Mr. W. Habes
Mr. G. Dubbeldeman	Ms. L. Erkelens	

Legal Questionnaire: Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings: Prior financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of August 15, 2008
Evergreen Oil, Inc. Series 1984	11/30/84	\$9,700,000	\$ 0
Evergreen Oil, Inc. Series 2006	06/23/06	\$8,450,000	\$6,035,000
TOTALS:		<u>\$18,150,000</u>	<u>\$6,035,000</u>

Agenda Item 4.B.1.

Project Description: Evergreen Oil, Inc. is a collector and processor of hazardous waste substances which, if left untreated, cannot be disposed of in most conventional landfills. The Company collects from more than 6,500 customers in the Metropolitan Bay Area and receives from others, used oil, used oil filters, oily waste water, waste antifreeze and the remnants of sumps and clarifiers. The Company recycles approximately 75% of the incoming volume by re-refining the contaminated oil. The solids are then transported to offsite landfills for ultimate disposal. The re-refined product is then sold for automotive and lube applications. Part of the process includes the aggregation, treatment and transportation to disposal sites of solid wastes which are contained within the processed substances.

The project includes the purchase of additional sites and the expansion of the Company’s current operating location in Carson to provide for greater processing and storage capacity. The project also includes the purchase of additional waste collection vehicles to facilitate the processing. The collection vehicles may be housed at either of the Company’s operating locations in Carson and Newark. The improvements to the Carson facility will include a new laboratory, building modifications and the installation of a scale. The additional costs not noted below will be submitted to the Board for consideration of an amendment to the IR when known.

The anticipated Project and issuance costs are listed below:

Acquisition of Land.....	\$3,924,487
Contingency.....	1,711
Bond Issuance Expenses...	<u>168,802</u>
Total:.....	<u>\$4,095,000</u>

Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

Anticipated Timeline: Construction and renovation is scheduled to begin in January 2009 with a scheduled completion date of December 2010. Equipment purchases will commence later this year and are anticipated to be completed by June 2010. Two of the parcels of land to be financed were purchased on June 30, 2008. The remaining parcel will be purchased later this year.

Pollution Control and/or Environmental Benefits: The Company represents the Project will generate the pollution control and environmental benefits described below.

Waste Diversion. The project is not a waste diversion project in the traditional sense as it receives and treats waste which, for the most part, cannot otherwise be disposed of in its untreated condition. The State of California has defined waste oil, waste water which is high in metals and organics, waste solvents, polychlorinated biphenyls (PCBs), and waste antifreeze as hazardous; and will not allow it to be disposed of in any landfills. Therefore, it must be treated and either used as a fuel source or more productively recycled as an automotive or industrial lube product.

Air Quality. The Company's re-refined oil product is recycled as automobile or industrial lube product rather than used with minimal processing as a fuel oil in industrial applications such as cement kilns. Thus, air pollution which is created by the use of contaminated spent oils as a fuel source for industry is avoided by the productive use of the recycled product.

The acquisition and expansion of the Carson Facility is expected to increase the volume of used oil collected in Southern California. This used oil will be re-refined at the Company's Newark facility and, as a result, will increase the State's reuse of this waste material. Much of the waste material anticipated to be collected and re-refined is currently being transported to and burned out of the state. This project will meet and exceed the state's sustainable and green programs.

Energy Efficiency. The re-refining process uses much less energy than the refining of virgin crude oil, the only alternative if recycling does not occur.

Recycling of Commodities. Approximately 75% of the material received by the applicant is recycled for use in automotive and industrial lubricating applications.

Disposal. The Company is in compliance with all applicable state and federal environmental regulations regarding the safe disposal of solid wastes.

Permits: The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

CDLAC Allocation: The Company anticipates applying to the Authority for CDLAC allocation in late 2008.

Financing Details: The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least "A-" by Fitch Rating Agency or equivalent. The target date for financing is February 2009. This land purchase request will be included as part of a larger project at the time of final resolution and financing.

Financing Team:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Orrick, Herrington & Sutcliffe
Financial Advisor: Andrew S. Rose
Issuer's Counsel: Office of the Attorney General

Staff Recommendation: Staff recommends approval of the ~~Amendment to~~ Initial Resolution No. 08-07 for Evergreen Oil, Inc. and/or its Affiliates for an amount not to exceed \$4,095,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
EVERGREEN OIL, INC. AND/OR ITS AFFILIATES**

August 27, 2008

WHEREAS, the California Pollution Control Financing Authority ("Authority"), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act ("Act") to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, Evergreen Oil, Inc., a California corporation (the "Applicant"), and/or its Affiliates (collectively, the "Company") has submitted an application (the "Application") requesting that the Authority assist in financing the acquisition of land and buildings and construction, renovation, rehabilitation and equipping of facilities for the treatment and processing of solid and liquid waste including hazardous waste, as more fully described in the Application (collectively, the "Project") to be owned and operated by the Company, and have presented an estimate of the maximum cost of such Project as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal facilities and equipment which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Project be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$4,095,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Project; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Agenda Item 4.B.1.

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an "Affiliate" of the Applicant means any person or entity which controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a "participating party" as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$4,095,000 principal amount of bonds of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Project. Each bond shall contain a statement to the following effect:

"Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond."

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the bond proceeds to finance the Project; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is hereby authorized to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and to meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute "some other similar official action" towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on August 27, 2011 unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project.

EXHIBIT A

NUMBER: 00813(SB)

LOCATION: 16540/16602/16604 South San Pedro Street
16506 Avalon Blvd
Carson CA 90746

TYPE: Solid/Liquid/Hazardous Waste Disposal

AMOUNT: Up to \$4,095,000